

**For discussion
on 10 April 2012**

Legislative Council

Panel on Food Safety and Environmental Hygiene

Fisheries Loans for Fishermen

PURPOSE

This paper briefs Members on the results of a review of the scope and terms of the Fisheries Development Loan Fund (FDLF) and the fishing moratorium loan scheme under the Fish Marketing Organization Loan Fund (FMOLF).

BACKGROUND

2. The fisheries resources in the traditional fishing grounds of Hong Kong's fishing fleet, namely local waters and the South China Sea, have been beset with problems leading to a reduction in the quality and quantity of fish catch. The catches of the local fishing fleet have decreased from 224 000 tonnes in 1990 to 171 000 tonnes in 2011. Apart from the declining fisheries resources, local fishermen also face the rise in operating costs, in particular the soaring fuel costs, the increasing competition from non-local fishing vessels and the implementation of the annual fishing moratorium in the South China Sea.

The FDLF

3. In order to promote the sustainable development of local fisheries industry, the Government has set up the FDLF with an approved capital of \$290 million to provide loans for capture fishermen to switch to

sustainable fisheries or related operations, and for fish farmers to develop sustainable aquaculture business. Fishermen and fish farmers may borrow loans from the FDLF at an interest rate of 2.5% per annum (p.a.) and a rate based on the no-gain-no-loss (NGNL) principle¹ respectively. The borrowers need to provide suitable guarantors and adequate collateral for the loans. Newly constructed fishing vessels and converted vessels provided as collateral will be accepted up to 75% of the vessel's construction cost and 95% of the estimated market selling price of the vessel respectively, or a maximum of \$5 million, whichever is the lower. The current scope of FDLF does not cover fish collectors.

4. In 2010, the Committee on Sustainable Fisheries (CSF)² recommended, among others, a review of the existing terms and processing procedures of the FDLF, such as providing loans for improving environmental friendliness and cost effectiveness of fishing vessels, and making appropriate adjustments where necessary so as to match the fisheries community's needs for developing or switching to modernised and sustainable fisheries. Areas recommended for review include purposes of the loans, application eligibility, interest rates, loan guarantees and security requirements. The local fisheries community has also repeatedly urged the Government to relax such terms and conditions of the FDLF so that the loan fund would better meet their needs to develop sustainable fisheries.

5. Besides, the Chief Executive announced in his 2010-11 and 2011-12 Policy Addresses that the Government will –

- (a) implement a basket of fisheries management measures, including banning trawling in Hong Kong waters through legislation; and
- (b) put forward a bill in the 2011/12 legislative session to set up a registration system for local fishing vessels and prohibit non-local fishing vessels from operating in Hong Kong waters, and provide for the designation of fisheries protection areas.

¹ The NGNL rate is 1.674% as at June 2011.

² CSF was established by the Government in 2006 to study the long term goals, directions and feasible options for the sustainable development of the fisheries industry.

The subsidiary legislation on the trawl ban was passed by the Legislative Council (LegCo) in May 2011 and will come into effect on 31 December 2012. The owners of trawlers will lose their fishing grounds in local waters due to the Government's policy. Owners of fish collectors, which act as the intermediaries between trawlers and the wholesale fish markets, may also be affected if they have been serving owners of inshore trawlers who leave the business after the trawl ban.

6. In view of the impact of the trawl ban on fishermen, the Finance Committee (FC) approved a commitment for granting ex-gratia allowance (EGA) to owners of affected trawlers. In addition to granting EGA, the Administration undertook to review the mechanism, terms and eligibility of the FDLF to provide more initiatives for the fisheries sector to regenerate and to brace itself to meet the challenges posed by the trawl ban. Moreover, the Administration also undertook to assess if owners of fish collectors would be affected by the trawl ban, and if affirmative, explore the option of offering a one-off subsidy to affected owners of fish collectors who apply for loans administered by AFCD for upgrading their fish collectors or switching to sustainable fisheries-related or other sea-related operations.

7. We have hence reviewed the scope of the FDLF and its terms, conditions and processing procedures with a view to better meeting the needs of the fisheries sector and helping the trade tide over the challenges to be brought about by the trawl ban and encouraging it to upgrade themselves to sustainable fisheries.

Fishing Moratorium Loan Scheme under the FMOLF

8. The Mainland authorities started implementing the annual fishing moratorium in the South China Sea since 1999 with a view to conserving fisheries resources and promoting sustainable development of the fishing industry. During the two-month moratorium period from 1 June to 1 August, fishing operations using trawl net and purse-seine were banned in the South China Sea. In 2009, the duration of the fishing moratorium was increased from two to two and a half months (16 May to 1 August) and the types of fishing methods banned were extended to cover all fishing methods except mono-layer gill netting and

cage trapping. Since vessels using the banned fishing methods were not allowed to operate in their traditional fishing grounds in the South China Sea, they had to be berthed in typhoon shelters during the fishing moratorium period. In leaving their vessels idle during the moratorium, fishermen incurred additional costs for repair work (e.g. anti-fouling, and cleaning and inspection of propellers and engines) required for the vessels to resume operation after the moratorium.

9. In 2006, FC approved a commitment of \$60 million to the FMOLF to provide loans on a revolving basis to fishermen affected by the annual fishing moratorium. The loans are to assist the fishermen to tide over the moratorium and to make preparation for resumption of fishing operation after the moratorium. The maximum amount for each loan would not exceed \$150,000 and the interests of the loans are calculated based on the NGNL principle, with the interest payment to be shared out, with the fishermen paying 2% p.a. and the Fish Marketing Organization (FMO) paying to the Government any excess of the NGNL rate over the 2% p.a.. In view of the increase of fuel price in recent years and the extension of the duration of the fishing moratorium and types of banned fishing methods in 2009, we have further strengthened the financial assistance to fishermen affected by the fishing moratorium by providing extra loans through the FMOLF with FMO's own financial resources since 2008. In 2011, the amount of extra loan was up to \$100,000 per vessel. In other words, a fishing vessel affected by the fishing moratorium in 2011 might apply for two loans, totalling a maximum of \$250,000 (\$150,000 fishing moratorium loan plus \$100,000 extra loan).

PROPOSALS AND JUSTIFICATIONS

10. Against the above background, we have reviewed the FDLF and the fishing moratorium loan scheme under the FMOLF. Due to the immense changes to be brought about by the trawl ban and the impact of the annual fishing moratorium on the local fisheries industry, we propose to revise the scope, terms and processing procedures of the FDLF and the fishing moratorium loan scheme under the FMOLF, the details of which as well as the justifications are as set out in the paragraphs below.

The FDLF

Expanding the scope of FDLF

11. Currently, FDLF provides loans to capture fishermen and fish farmers only but not to owners of fish collectors. Owners of fish collectors are those who use their vessels to gather fish from fishing vessels which get their catch either from Hong Kong waters or further afield. Fish collectors would then transport the catch to fish wholesalers either in Hong Kong or on the Mainland. Fish collectors' service is required because not all fishermen would wish to undertake the journey to the wholesalers for fuel and time efficiency reasons. Owners of fish collectors have repeatedly requested the Government to make loans to them like capture fishermen and fish farmers. As owners of fish collectors have been making significant contribution and are indispensable to the fisheries trade, we consider it justified to provide financial assistance to them through the FDLF.

12. We therefore propose to expand the scope of the FDLF to provide loans to capture fishermen, and to extend the FDLF to cover owners of fish collectors, for switching to more sustainable fisheries operations and other fisheries-related operations, and for carrying out projects that will reduce fuel consumption or carbon footprint of their operations (without increasing fishing effort). The interest rate for these loans will remain at 2.5% p.a.. The expanded scope would benefit capture fishermen and owners of fish collectors in developing environmentally friendly operations, which would in turn benefit the protection of local marine and fisheries resources as well as the environment as a whole.

Providing one-off loans to owners of trawlers and fish collectors affected by the trawl ban

13. In order to help the fisheries trade to regenerate and to brace itself to meet the challenges posed by the trawl ban, we propose to

provide one-off loans³ to owners of trawlers as well as fish collectors affected by the trawl ban at an interest rate at 1% p.a. for the full term of the loan tenure, if the application is submitted on or before 31 December 2015, for upgrading their vessels to operate outside Hong Kong waters or switching to more sustainable fisheries operations and other fisheries-related operations, or for carrying out projects that will reduce fuel consumption or carbon footprint of their operations (without increasing fishing effort).

14. The above transitional period up to 31 December 2015 would provide sufficient time for the owners of trawlers and fish collectors affected by the trawl ban to make an informed business decision on whether a loan for upgrading their vessels or switching their operations is required. The concessionary loans with a more favourable interest rate at 1% p.a. is therefore meant to be an transitional measure and will only be provided to the owners of trawlers and fish collectors affected by the trawl ban who apply for the loan on or before 31 December 2015. The interest rate will be 2.5% p.a. if applications are made after 31 December 2015, similar to loans to other capture fishermen and other owners of fish collectors. Interest rate of loans to fish farmers will remain unchanged at the NGNL level.

Adjusting the security requirements

15. In recent years, borrowers of the FDLF loans have voiced out their difficulties in providing guarantors and collateral. For a large loan, the borrower may be able to provide sufficient collateral but have practical difficulties in providing guarantors with enough incomes or assets to secure the loan. On the other hand, a borrower interested in a small loan may not have collateral but can provide guarantors for the loan. Suitably adjusting the requirements in respect of collateral and guarantors would facilitate fishermen in borrowing loans without causing unacceptable risks to the FDLF.

³ Owners of trawlers or fish collectors affected by the trawl ban may obtain only one loan for upgrading their vessels to operate outside Hong Kong waters at an interest rate of 1% p.a. for the full term of the loan tenure if applications are made on or before 31 December 2015.

16. Moreover, the construction costs of fishing vessels have been increasing due to a general increase in prices of the construction materials and equipment, the appreciation of Reminbi, and the increase in labour costs. Fishermen have indicated that the cost for constructing a new vessel for fishing in distant waters has gone up a lot due to increasing labour and material costs. It would now cost some \$15 to 20 million to build a fishing vessel. In this connection, the existing arrangement that newly constructed fishing vessels and converted vessels provided as collateral will be accepted up to 75% of the vessel's construction cost and 95% of the estimated market selling price of the vessel respectively, or a maximum of \$5 million, whichever is the lower, should be suitably adjusted.

17. In view of the above, we propose to –

- (a) In respect of all loans, lift the requirement of providing guarantors if the borrower has provided acceptable / sufficient securities such as bank guarantee, properties and vessels;
- (b) In respect of loans not exceeding \$500,000, lift the collateral requirement if the borrower has provided at least one guarantor for the loan and the income and assets of the guarantors will be able to repay in case of default of the borrower; and
- (c) accept up to 95% of the construction cost of a newly constructed fishing vessel or fish collector, or 95% of the estimated market selling price of a vessel provided as collateral.

18. Furthermore, we would also take this opportunity to streamline the loan processing procedures, such as revising the loan approving authority for loan applications, lowering repayment temporarily to assist the borrowers on a need basis, and approving loan extension or transfer of vessels. A comparison of the existing and proposed terms and conditions of the FDLF is in **Annex A**.

19. The proposals in paragraphs 10 to 18 above would not only help owners of trawlers and fish collectors tide over the challenges to be brought about by the trawl ban, but also benefit the environment as a

whole by encouraging them to switch to more sustainable fisheries operations or other fisheries-related operations. Projects that will reduce fuel consumption or carbon footprint of fishing operations, but without increasing fishing effort, would also benefit the environment as a whole. The revised procedures to streamline processing of loan applications and following up of the loans will also save the borrowers' time and enhance the efficiency of the loan fund administration. As at end 2011, there was some \$279 million under the FDLF available for application. We consider that it is sufficient to meet the needs for loans of the trade and further injection by the Government is not required in the near future.

Fishing Moratorium Loan Scheme under the FMOLF

Increasing the loan amount

20. The Administration has been helping the fishermen affected by the annual fishing moratorium through the provision of the fishing moratorium loan and extra loan under the FMOLF. However, the requirement to apply for two separate loans for an affected vessel has caused inconvenience to the fishermen and given rise to increased administrative costs to the Government and FMO. To save the time of the fishermen and enhance the efficiency of loan fund administration, we propose to increase the loan ceiling per vessel of the fishing moratorium loans from \$150,000 to a maximum of \$250,000 and that the loan ceiling may be revised on the advice of the Fish Marketing Advisory Board (FMAB), a statutory advisory body under the Marine Fish (Marketing) Ordinance (Cap. 291), taking into consideration fuel price, operating environment of the fishermen and the details of the fishing moratorium, provided that the maximum amount for each loan would not exceed \$300,000.

Interest rate under exceptional circumstances

21. Earnings of the fishing operations and livelihood of fishermen depend heavily on the operating environment, in particular the fuel price and the fisheries resources. In this connection, we also propose that subject to the advice of the FMAB, FMO may lower the interest rate charged on borrowers from 2% p.a. down to a minimum of 1% p.a. under

exceptional circumstances (e.g. spiking fuel price, very difficult operating environment, etc.). The interest payable by FMO to the Government will remain at the NGNL level. This is considered appropriate as FMO's revenue mainly comes from charging commission and fees from fishermen and fish traders for using the services and facilities at its wholesale fish markets. It is also in line with FMO's policy to plough back its surplus earnings to the local fisheries industry for promotion and sustainable development of the industry.

22. A comparison of the existing and proposed terms and conditions of the fishing moratorium loan scheme under the FMOLF is in **Annex B**. As at end 2011, FMOLF had a capital of \$143 million, including an approved commitment of \$60 million from the Government, with an amount of some \$75 million available for application. As the total amount of fishing moratorium loans issued each year is about \$70 million, we are of the view that the balance together with the loan repayments to be received before the commencement of the fishing moratorium would be sufficient to make loans to fishermen affected by the fishing moratorium and further injection by the Government is not required in the near future.

CONSULTATION

23. We have taken the opportunities to consult and gather views of the trade when meeting the fisheries community and their representatives on various occasions, including liaison meetings held at various fishing homeports. The trade in general agreed to the direction of the proposals.

FINANCIAL IMPLICATIONS

24. The proposed loans with an interest rate at 1% p.a. is a transitional measure for owners of trawlers and fish collectors affected by the trawl ban who apply for loans under the FDLF on or before 31 December 2015. The actual financial implications will depend on the amount of successful loan applications. Assuming a total of \$267 million are let out successfully in the three years till end 2015 to

owners of trawlers and fish collectors affected by the trawl ban, and that repayment is to be spread over a 14-year period, the total interest forgone as a result of such loans issued will be in the order of some \$31 million. For the fishing moratorium loan scheme under the FMOLF, there will be no additional financial implication as the approved commitment will remain at the existing amount of \$60 million and the interest payable by FMO to the Government will still be based on the NGNL principle.

WAY FORWARD

25. Subject to Members' comments, we would seek the views of the Fisheries Development Loan Fund Advisory Committee (an advisory body of the FDLF) and the FMAB before making a submission to seek the approval of FC later this year.

**Food and Health Bureau
Agriculture, Fisheries and Conservation Department
March 2012**

Comparison of the Existing and Proposed Fisheries Development Loan Fund Terms and Conditions

		Existing	Proposed
1.	Loan Capital	<p>(a) HK\$250,000,000 to help fishermen switch to sustainable fisheries operations; and</p> <p>(b) HK\$40,000,000 to help fish farmers develop sustainable aquaculture.</p>	HK\$290,000,000.
2.	Loan Purpose	<p>(a) To provide loans to capture fishermen to help them switch to sustainable fisheries or related operations, including offshore / deep sea fishing, recreational fishing, fish farming, fish transportation and fisheries product processing, which are conducive to reducing fishing efforts and conserving fisheries resources in local waters; and</p> <p>(b) To provide loans to fish farmers to help them develop or improve their fish farming businesses with a view to improving the quality and food</p>	<p>(a) To provide one-off loans to owners of trawlers and fish collectors affected by the trawl ban, if the application is submitted on or before 31.12.2015, for upgrading their vessels to operate outside Hong Kong waters or switching to more sustainable fisheries operations and other fisheries-related operations, or for carrying out projects that will reduce fuel consumption or carbon footprint of their operations (without increasing fishing effort);</p> <p>(b) To provide loans to capture fishermen and owners of fish collectors for switching to more sustainable fisheries operations and other</p>

		Existing	Proposed
		safety standards of aquaculture products as well as enhancing their competitiveness in the market.	<p>fisheries-related operations, and for carrying out projects that will reduce fuel consumption or carbon footprint of their operations (without increasing fishing effort); and</p> <p>(c) To provide loans to fish farmers to help them develop aquaculture or improve their aquaculture businesses leading to more environmentally friendly operations or an improvement of the quality and food safety standards of the aquaculture products.</p>
3.	Eligibility criteria	<p>(a) Applicants for loans to capture fishermen must be Hong Kong residents and local fishing vessel owners on or before 16 June 2006; or locally registered companies wholly owned by local fishermen who are also local residents, the majority of whom are local fishing vessel owners fulfilling the afore-mentioned criteria; and any eligible fisherman (either as an individual applicant or a shareholder of a fishing company) or company may borrow under this loan fund once only; and</p>	<p>(a) Applicants for loans to capture fishermen and fish collector owners must be Hong Kong residents and local fishing vessel or fish collector owners, holding valid licences necessary for their operations, such as Vessel Operating Licence and Certificate of Ownership of a Class III vessel issued by the Marine Department; or locally registered fisheries co-operative societies / companies, the majority of their members / shareholders are local capture fishermen fulfilling the afore-mentioned criteria; and</p>

		Existing	Proposed
		<p>(b) Applicants for loans to fish farmers must be Hong Kong residents, and marine fish farmers holding valid Marine Fish Culture Licences issued by the Agriculture, Fisheries and Conservation Department (the Department) or local fish farmers engaging in freshwater, pond or other inland culture operations; or locally registered companies wholly owned by any of the afore-mentioned fish farmers who are also local residents.</p> <p>Subject to the applicant –</p> <ul style="list-style-type: none"> (i) submitting a detailed proposal of the project for which the loan is required, a professional valuation of the collateral and other documents deemed necessary by the Director of Agriculture, Fisheries and Conservation (the Director). The project must be feasible and the loan must be used for the purposes prescribed in Item 2 above; (ii) being able to contribute from his own resources 	<p>(b) Applicants for loans to aquaculture operators must be Hong Kong residents, holding valid licences necessary for operating their aquaculture businesses, such as Marine Fish Culture Licence issued by the Agriculture, Fisheries and Conservation Department (the Department); or locally registered fisheries co-operative societies / companies, the majority of their members / shareholders are local aquaculture operators fulfilling the afore-mentioned criteria.</p> <p>Subject to the applicant –</p> <ul style="list-style-type: none"> (i) submitting a proposal of the project for which the loan is required, a professional valuation of the collateral and other documents deemed necessary by the Director of Agriculture, Fisheries and Conservation (the Director). The project must be feasible and the loan must be used for the purposes prescribed in Item 2 above; (ii) being able to contribute from his own resources

		Existing	Proposed
		<p>an amount acceptable to the Director, such amount being not less than 10% of the total cost of the project for which the loan is required;</p> <p>(iii) agreeing to the terms under which the loan is issued; and</p> <p>(iv) submitting an application which is supported by the Director.</p>	<p>an amount acceptable to the Director, such amount being not less than 10% of the total cost of the project for which the loan is required;</p> <p>(iii) agreeing to the terms under which the loan is issued; and</p> <p>(iv) submitting an application including a proposed loan amount which is supported by the Director.</p>
4.	Interest	<p>(a) For loans to capture fishermen: Compound interest calculated on a monthly basis at 2.5% per annum; and</p> <p>(b) For loans to fish farmers: Compound interest calculated on a monthly basis at an annual rate set by the Government on the no-gain-no-loss principle.</p>	<p>(a) For one-off loans to owners of trawlers and fish collectors affected by the trawl ban in 2(a): Compound interest calculated on a monthly basis at 1% per annum;</p> <p>(b) For loans to owners of fishing vessels and fish collectors in 2(b): Compound interest calculated on a monthly basis at 2.5% per annum; and</p> <p>(c) For loans to fish farmers in 2(c): Compound interest calculated on a monthly basis at an annual rate set by the Government on the</p>

		Existing	Proposed
			no-gain-no-loss principle.
5.	Authority for approval of loans	<p>(a) Any loan exceeding \$10,000,000 recommended by the Fisheries Development Loan Fund Advisory Committee (the Committee) should be subject to the approval of the Finance Committee;</p> <p>(b) Loans exceeding \$5,000,000 but not exceeding \$10,000,000 recommended by the Committee should be subject to the approval of the Secretary for Financial Services and the Treasury; and</p> <p>(c) Loans not exceeding \$5,000,000 should be subject to the approval of the Director on the advice of the Committee.</p>	<p>(a) Any loan exceeding \$15,000,000 recommended by the Fisheries Development Loan Fund Advisory Committee (the Committee) should be subject to the approval of the Finance Committee (FC);</p> <p>(b) Loans exceeding \$10,000,000 but not exceeding \$15,000,000 recommended by the Committee should be subject to the approval of the Secretary for Financial Services and the Treasury;</p> <p>(c) Loans exceeding \$5,000,000 but not exceeding \$10,000,000 should be subject to the approval of the Director on the advice of the Committee; and</p> <p>(d) The Director will be the authority to approve loans not exceeding \$5,000,000.</p>

6.	<p>Authority for approval of transfer of vessels/ fisheries product processing plants/ fish farms/ other production facilities or capital goods which are subject of the outstanding loans</p>	<p>(a) The Finance Committee will be the authority to approve transfers of vessels / fisheries product processing plants / fish farms / other production facilities or capital goods which are subject of outstanding loans approved by FC originally; and</p> <p>(b) The Secretary for Financial Services and the Treasury and the Director will be the authority to approve transfers of vessels / fisheries product processing plants / fish farms / other production facilities or capital goods which are subject of outstanding loans approved by them originally.</p>	<p>(a) The Secretary for Financial Services and the Treasury will be the authority to approve transfers of vessels / fisheries product processing plants / fish farms / other production facilities or capital goods which are subject of outstanding loans approved by FC originally; and</p> <p>(b) The Director will be the authority to approve transfers of vessels / fisheries product processing plants/ fish farms/ other production facilities or capital goods which are subject of outstanding loans approved by the Secretary for Financial Services and the Treasury or himself originally.</p>
7.	<p>Repayment</p>	<p>(a) Loans are to be repaid by instalments according to a quarterly repayment pledge drawn up by the Director to recover the total sum of the loan principal plus the interest thereon within the loan term (a maximum of 14 years);</p> <p>(b) The loan repayment is to be effected by</p>	<p>(a) Loans are to be repaid by instalments according to a quarterly repayment pledge drawn up by the Director to recover the total sum of the loan principal plus the interest thereon within the loan term (a maximum of 14 years); and</p> <p>(b) The Director may temporarily reduce the</p>

		<p>deducting not less than 15% of the proceeds of sales of catches at the wholesale fish markets run by the Fish Marketing Organization. In case the deduction falls short of the quarterly repayment pledge, the shortfall will be made up by the borrower in cash; and</p> <p>(c) The Director may temporarily reduce the quarterly repayment amount in special cases on the advice of the Committee.</p>	<p>quarterly repayment amount in special cases of loans with outstanding amounts not exceeding \$5,000,000, and loans with outstanding amounts exceeding \$5,000,000 on the advice of the Committee.</p>
8.	Guarantee and security	<p>(a) Loans made to members of a co-operative society are to be guaranteed by the society which acts as a co-borrower. In case of default, the Director may recover the outstanding loan from the borrower and the society in such a manner as may be appropriate;</p> <p>(b) Where the applicant is an individual, two guarantors and / or other guarantee to the satisfaction of the Director are required;</p>	<p>(a) The applicant is required to provide adequate collateral acceptable to the Department, except for a loan not exceeding \$500,000 as provided for in 8(d). He may be required to appoint at his own cost a qualified person accepted by the Department to assess the value of the collateral to be provided for the reference of the Department;</p> <p>(b) The borrower is required to insure his collateral against loss in a sum not less than the outstanding balance of the loan, with the Government as the beneficiary;</p>

	<p>(c) Loans made to fishing companies require personal guarantee from all shareholders;</p> <p>(d) The applicant is required to provide adequate collateral for the loan acceptable to the Department. He may be required to appoint at his own cost a qualified person accepted by the Department to assess the value of the collateral to be provided for the reference of the Department;</p> <p>(e) The borrower is required to insure his collateral against loss in a sum not less than the outstanding balance of the loan, with the Government as the beneficiary; and</p>	<p>(c) Loans made to registered fisheries co-operative societies / companies require personal guarantee from more than 50% of their members or from shareholders with more than 50% shareholding of the company;</p> <p>(d) For a loan not exceeding \$500,000, if the applicant provides at least one guarantor to the satisfaction of the Director, no collateral will be required (loans made to fisheries co-operative societies / companies still require personal guarantee from more than 50% of their members or from shareholders with more than 50% of shareholding of the company); and</p> <p>(e) When a fishing vessel or fish collector (no matter a newly constructed or converted vessel) or a property is used as collateral, the maximum security value will be equivalent to 95% of the vessel's construction cost; or 95% of the estimated market selling price of the vessel or property. If bank guarantee is used as collateral, the maximum security value will be equivalent to 100% of the full value of the bank guarantee.</p>
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		(f) Subject to the provision of full and valid security, the Director may exempt the borrower from any of the guarantee requirements stipulated above (loans made to fishing companies still require personal guarantee of all shareholders).	
9.	Loan extension	The Director may approve the granting of loan extension in special cases on the advice of the Committee.	The Director may approve the granting of loan extension in special cases of loans with outstanding amounts not exceeding \$5,000,000, and loans with outstanding amounts exceeding \$5,000,000 on the advice of the Committee.
10.	Delegation of authority	N/A	The Director may delegate his authority by administrative direction.

Annex B

Comparison of the Existing and Proposed Fishing Moratorium Loan Scheme Terms and Conditions

		Existing	Proposed
1.	Loan Capital	HK\$60,000,000.	HK\$60,000,000.
2.	Purpose of the loan	To provide loans to fishermen to help them tide over the annual fishing moratorium implemented in the South China Sea by the Mainland. Loans will be used to meet fishermen's need over the fishing moratorium period and to make preparations (such as repairing of fishing vessels and gear and purchase of fuel) for resumption of fishing activities after the fishing moratorium.	To provide loans to fishermen to help them tide over the annual fishing moratorium implemented in the South China Sea by the Mainland. Loans will be used to meet fishermen's need over the fishing moratorium period and to make preparations (such as repairing of fishing vessels and gear and purchase of fuel) for resumption of fishing activities after the fishing moratorium.
3.	Qualification of applicants	Owners of fishing vessels who – (a) hold valid licences issued by the Marine Department and valid fishing permits issued by the Mainland authority for fishing with the following fishing gear and affected by the annual	Owners of fishing vessels who – (a) hold valid certificate of ownership and operating licences issued by the Marine Department and valid fishing permits issued by the Mainland authority for fishing and affected by the annual

		Existing	Proposed
		<p>fishing moratorium in the South China Sea -</p> <ul style="list-style-type: none"> • trawl net (including pair trawl, stern trawl, shrimp trawl and hang trawl); • purse-seine; or • any other gear affected by the fishing moratorium; and <p>(b) undertake not to fish in Hong Kong waters during the fishing moratorium.</p> <p>Subsequent to granting the loan, if there is evidence supporting that a borrower has been engaged in fishing in Hong Kong waters during the fishing moratorium, he / she has to return the entire loan immediately.</p>	<p>fishing moratorium in the South China Sea; and</p> <p>(b) undertake not to fish in Hong Kong waters during the fishing moratorium.</p> <p>Subsequent to granting the loan, if there is evidence supporting that a borrower has been engaged in fishing in Hong Kong waters during the fishing moratorium, he / she has to return the entire loan immediately.</p>
4.	Applications not considered	Applicants who have unsatisfactory repayment record (including all fisheries loans and related fees such as insurance fees) in the past.	Applicants who have unsatisfactory repayment record (including all fisheries loans and related fees such as insurance fees) in the past.

		Existing	Proposed
5.	Number and maximum amount	<p>Only one loan per vessel; and</p> <p>(a) not exceeding \$80,000 for vessels with engine power less than 500 horsepower;</p> <p>(b) not exceeding \$120,000 for vessels with engine power not less than 500 but less than 1,000 horsepower; and</p> <p>(c) not exceeding \$150,000 for vessels with engine power not less than 1,000 horsepower.</p> <p>(Subject to revision on the advice of the Fish Marketing Advisory Board (FMAB) taking into consideration the change in fuel price in the preceding year and the operating environment of the fishermen, provided that the maximum loan amount for each loan would not exceed \$150,000.)</p>	<p>Only one loan per vessel for each annual fishing moratorium; and</p> <p>(a) not exceeding \$150,000 for vessels with engine power less than 500 horsepower;</p> <p>(b) not exceeding \$200,000 for vessels with engine power not less than 500 but less than 1,000 horsepower; and</p> <p>(c) not exceeding \$250,000 for vessels with engine power not less than 1,000 horsepower.</p> <p>(Subject to revision on the advice of the FMAB taking into consideration the change in fuel price and the operating environment of the fishermen, provided that the maximum loan amount would not exceed \$300,000.)</p>
6.	Guarantee/security	Loan borrowers are required to either submit the licence book of his fishing vessel to the Marine	Loan borrowers are required to either submit the licence book of his fishing vessel to the Marine

		Existing	Proposed
		<p>Department for endorsement that the vessel is the subject of the loan concerned or to provide an acceptable guarantor or a co-operative society as a co-borrower.</p> <p>Subject to the provision of full and valid collateral/security, Director of Marketing may exempt the borrower from any of the endorsement/ guarantee requirements stipulated above.</p>	<p>Department for endorsement that the vessel is the subject of the loan concerned or to provide an acceptable guarantor or a co-operative society as a co-borrower.</p> <p>Subject to the provision of full and valid collateral/security, Director of Marketing may exempt the borrower from any of the endorsement/ guarantee requirements stipulated above.</p>
7.	Interest	<p>The interest rate for the loan scheme is set at a no-gain-no-loss (NGNL) level, with the interest payment to be shared out by both the loan borrowers and the Fish Marketing Organization (FMO) calculated on a monthly basis at 2% per annum (compound rate) and the differential between the NGNL and 2% per annum, respectively.</p>	<p>The interest rate for the loan scheme is set at a NGNL level, with the interest payment to be shared out by both the loan borrowers and the FMO calculated on a monthly basis at 2% per annum (compound rate) and the differential between the NGNL and 2% per annum, respectively.</p> <p>(On the advice of the FMAB, taking into consideration the change in fuel price and the operating environment of the fishermen, the FMO may lower the interest rate charged on borrowers from</p>

		Existing	Proposed
			2% per annum down to a minimum of 1% per annum. The FMO will share the differential between the NGNL and the interest rate charged on borrowers.)
8.	Loan period	Up to 1 year	Up to 1 year
9.	Repayment	4 equal quarterly instalments (repayments) to be made upon issue of the loan to borrowers.	4 equal quarterly instalments (repayments) to be made upon issue of the loan to borrowers.
10.	Approving authority	Director of Marketing who may delegate her authority by administrative direction.	Director of Marketing who may delegate his authority by administrative direction.
11.	Extension	N/A	Extension of repayment period may be approved by the Director of Marketing who may delegate his authority by administrative direction.